



AN ASSESSMENT OF SELF HELP GROUPS TO AVAIL LOANS FROM BANKS

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ABSTRACT

NABARD assessment for micro credit is really an appraisal of the various dimensions of the self help group. The appraiser of the self help group has to see whether the group is functioning, actually as a group, why the members have come together, whether it is for obtaining loan from bank or the group sees other purposes, what is the group discipline and whether it is sustainable. Hence, this paper attempts an assessment of the sample Self Help Groups to analyse the eligibility of the sample Self Help Groups to avail loans.

KEYWORDS : Self Help Groups, NABARD, Bank linkage, Bank loan

INTRODUCTION

The assessment parameters are really based on group norms, group cohesiveness and group behaviour. For any financing institution, appraisal is very important for ensuring the utility of the loan and repayment of the loan. The SHGs have to be assessed in terms of group dynamics like cohesion, vibrancy, goal-oriented action, participation of members, democratic decision and collective leadership. The basic parameters suggested by NABARD are used in the study to make an assessment.

SELECTION CRITERIA OF SHG FOR LINKAGE TO BANK LOAN

1. SHG scoring more than 120 marks out of maximum of 150 marks could be chosen for credit linkage. As per NABARD guidelines, SHG scoring 80% is eligible for bank linkage.
2. SHG scoring less than 120 marks will have to be further developed before linkage.

OBJECTIVE OF THE STUDY

To analyse the eligibility of the sample Self Help Groups to avail loans

RESEARCH DESIGN

Survey research design and secondary data was used in the study

STUDY POPULATION AND LOCATION OF THE STUDY

Self Help Group leaders of the Self Help Groups of Dakshina Kannada and Udupi districts are used for the study

SAMPLING AND SAMPLE SIZE

Random sampling technique was used for collecting the primary data for the study. Leaders of 97 sample Self Help Groups were selected randomly for the study

DATA TYPE AND DATA COLLECTION TECHNIQUE

Primary and secondary data was collected for the study. The primary data was obtained from the targeted leaders of Self Help Groups through a carefully constructed questionnaire. Secondary data was collected to understand the basic parameters suggested by NABARD to make an assessment of the Self Help Groups.

RESULTS OF THE ANALYSIS OF DATA

Results of the key dimensions mentioned below are tabulated for the 97 sample Self Help Groups visited and an attempt is made to assess the eligibility of sample SHGs to avail loans by rating the sample SHGs according to NABARD guidelines.

Sl.No	Category	Criteria	Mark	Findings	Score of 97 SHGs
1	COMPOSITION	Membership is homogenous	10	All groups are homogenous in the sense that all of them are women only group	97 x 10 = 970
		No Homogeneity in membership	5		
2	AGE OF THE GROUP	One year and above	10	All the groups are more than one year except 2 groups which were recently formed	95 x 10 = 950
		Six months and above but less than a year	5		2 x 5 = 10
3	WEEKLY GROUP MEETINGS	Four meetings per month	10	4 meetings per month is regularly conducted by SHGs run by SKDRDP MFI, 2-3 meetings per month is conducted by SHGs run by SCDCC and CODP NGOs and 1 meeting per month is usually conducted by SHGs run directly by banks	33 x 10 = 330 32 x 8 = 256 32 x 5 = 160
		2-3 meetings per month	8		
		1 meeting per month	5		

RATING OF SAMPLE SELF HELP GROUPS

4	ATTENDANCE	More than 90%	10	SHGs run by SKDRDP MFI have 90% attendance, SHGs run by SCDCC and CODP and banks have attendance between 70% and 90% and very few SHGs who are less active have attendance less than 70%	$33 \times 10 = 330$ $53 \times 5 = 265$ $11 \times 3 = 33$
		Between 70% and 90%	5		
		Less than 70%	3		
5	MINUTES BOOK	Written in detail	10	All the sample SHGs maintain minutes book. Sample SHGs run by SKDRDP MFI write minutes in detail whereas the remaining SHGs run by SCDCC and CODP and those run directly banks do not write minutes in detail. Presence of overwhelming illiterate members hamper functioning	$38 \times 10 = 380$ $59 \times 5 = 295$
		Maintained, but not in detail	5		
6	PARTICIPATION IN GROUP MEETINGS	Participation by only a few members	5	Majority of the members participate in group meetings while a few of the members who are new to the group do not show active participation	$62 \times 5 = 310$ $35 \times 10 = 350$
		Participation by majority of members	10		
7	SAVINGS (FREQUENCY)	4 times a month (by majority members)	10	Small amount of savings is usually done 4 times a month in sample SHGs run by SKDRDP MFI, 2 – 3 times a month in sample SHGs run by SCDCC and CODP NGOs and once a month in sample SHGs run by directly by banks	$33 \times 10 = 330$ $32 \times 8 = 256$ $32 \times 3 = 96$
		4 times a month (but not by majority)	8		
		2 – 3 times a month (by majority members)	8		
		2 – 3 times a month (but not by majority)	5		
		1 time a month (but not by majority)	1		
8	SAVINGS & LOAN RECOVERY (MODE OF COLLECTION)	Collected in group meetings	10	Usually savings are collected in group meetings. But there are exceptions as there is hardly 100% attendance in meetings. It can be inferred that only those groups where there is 100% attendance tend to pay their contributions at the meetings or else house – to house collection is done	$83 \times 10 = 830$ $14 \times 5 = 70$ Total 900
		House – to house collection	5		
9	STYLE OF FUNCTIONING AND GROUP DISCUSSIONS	By Consensus	10	Group on consensus basis usually takes decisions. Sometimes decision is taken by member/ members or group leaders and sometimes by majority	$40 \times 10 = 400$ $26 \times 0 = 0$ $31 \times 8 = 248$ Total 648
		Decision taken by few member / members /group leaders	0		
		Decision by majority	8		
10	SANCTION AND DISBURSEMENT OF LOANS	Selection of borrowers in group meetings	2	All members are aware of how much they took. Beneficiaries are decided in – group meeting. Terms of conditions for loan had been decided from the beginning. However, there is no review of loan utilisation. However, recovery is reviewed.	$97 \times 2 = 194$ $97 \times 2 = 194$ $97 \times 2 = 194$ $97 \times 0 = 0$ $97 \times 2 = 194$ Total 776

		Sanction and disbursement of loans in group meetings	2		
		Loan terms and conditions discussed in group meetings and recorded in minutes	2		
		Utilisation of loans reviewed regularly in group meetings	2		
		Recovery of loans reviewed regularly in group meetings	2		
11	INTEREST ON SHG LOANS	Uniform rate irrespective of source of funds	5	Uniform rate of interest is levied when they loan the internal saving amount but for loans they get from funding agencies they charge as per actual. They charge uniformly irrespective of differential risks attached with different activity	97 x 5 = 485
		Different rates depending on source of funds	3		
		Interest rates vary according to the purpose of loan	5		
		Uniform interest rate for all purposes	3		
12	UTILISATION OF SAVING FOR LOANING	Above 80 %	10	SHG usually use the saving for loan	97 x 10 = 970
		Above 50% and upto 80%	5		
13	RECOVERY OF LOANS	Dues not recovered in respect of 10% or less of total no. of accounts	10	Most of loans disbursed were not recovered in respect of 10% or less of total no. of accounts	97 x 10 = 970
		Dues not recovered between 10% and 30% of total no. of loan accounts	5		
14	BOOKS OF ACCOUNTS	Attendance cum minutes book	3	All surveyed SHGs has attendance cum minutes book, savings register, loan register and bank passbook	97 x 3 = 291 97 x 3 = 291 97 x 3 = 291 97 x 1 = 97 Total 970

		Savings register	3		
		Loan register	3		
		Bank passbook	1		
15	BYE LAWS / GROUP RULES	Known to all members	10	Members know that they have formed SHG to save regularly; they must sit once a month; must pay loan amount regularly; savings must be regular	97 x 10 = 970
		Known to most of the members	5		
		Not known to many members	0		
		TOTAL MARKS	150	Total	11382
					Mean score of each SHG on 15 parameters recorded = 117.34 out of the total score 150 i.e. 11382/150 = 117.34

Source: Survey Data

FINDINGS OF THE STUDY

The mean score is calculated by adding up the total score and dividing it by 97 SHG covered. And the mean SHG score is 117.34, which constitutes about 78.23%. Eligibility criteria say that only those SHGs who score more than 80% (i.e. 120/150) are eligible for bank linkage. In this case the sample SHGs score is 78.23%, which is just close to the minimum requirement viz; 80%. Hence, the entire sample SHGs should be further developed for the smooth flow of funds from the Self Help Group Bank Linkage Programme and microfinance to SHGs.

SUGGESTIONS FOR MAKING THE SELF HELP GROUPS ELIGIBLE TO AVAIL LOANS

1. The members should be motivated by promoting agencies through small informal gathering where the importance of small savings, the need for reducing wasteful expenditure and building up funds for meeting contingency etc are explained to them.
2. The tempo of the meetings could be maintained if other issues including personal matters are discussed
3. The members should be given training on managerial and leadership skill to carry out their responsibilities effectively
4. Appropriate savings products for regular savings should be introduced
5. Group members have to build up their skills in areas like decision making, maintenance of accounts, book keeping etc through Self Help Group training programmes.

CONCLUSION

Self Help Groups play a crucial role of harmonising the society and strengthening the rural economy. Self Help Groups are recognised as one of the major programmes of poverty alleviation in India with full participation from the formal banking system. The Government Welfare Departments, NGOs, Banks, Financial Institutions and

Centre for Entrepreneurial Developmental Programmes should help the members of Self Help Groups by educating them in all ways and providing them more opportunities to come up effectively and efficiently.

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